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RECOVERY ACT

Status of Department of Energy's Obligations and Spending

Statement of Frank Rusco, Director
Natural Resources and Environment

GAO-11-483T

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Highlights

Highlights of GAO-11-483T, a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) aims to promote economic recovery, make investments, and minimize or avoid reductions in state and local government services. As of February 2011, the Congressional Budget Office estimated the act will cost $821 billion in spending and tax provisions through 2019.

The Recovery Act provided the Department of Energy (DOE) more than $41.7 billion—$35.2 billion for projects and activities and $6.5 billion in borrowing authority—in areas such as energy efficiency, renewable energy, and environmental cleanup. This included about $3.2 billion for the Energy Efficiency and Conservation Block Grant program, about $3.1 billion for the State Energy Program, and about $5 billion for the Weatherization Assistance Program. The act also provided about $6 billion to DOE's Office of Environmental Management for environmental cleanup activities and about $2.5 billion to its Loan Guarantee Program Office to support such guarantees for, among other things, renewable energy projects.

This testimony focuses on DOE's obligations and spending of Recovery Act funds for these programs and information reported on jobs funded as a result of this spending. This testimony is based on prior GAO work updated with data from DOE and on preliminary results from ongoing GAO work on the Energy Efficiency and Conservation Block Grant program.

View GAO-11-483T or key components.
For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

March 17, 2011

RECOVERY ACT

Status of Department of Energy's Obligations and Spending

What GAO Found

As of March 10, 2011, DOE reported that it had obligated $33.1 billion (94 percent) and spent $12.5 billion (36 percent) of the $35.2 billion it received under the Recovery Act for projects and activities. This is an increase from December 31, 2009, when DOE reported that it had obligated $23.2 billion and spent $1.8 billion.

Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by DOE as of March 10, 2011

	Dollars in million	Percent of funding
Recovery Act funding	$35,210	100%
DOE obligated	$33,090	94%
DOE spent	$12,503	36%

Source: GAO analysis of DOE data.

DOE programs vary in the amount of Recovery Act funds they have obligated and spent and in the number of jobs funded through such spending, according to DOE and recipient reported data. Specifically:

- *Energy Efficiency and Conservation Block Grant Program*. DOE has obligated the full $3.2 billion of Recovery Act funding provided for the program and, as of March 2011, some grant recipients reported spending about $860 million. GAO expects to issue a report in April 2011 with information on the quality of jobs data reported by recipients.
- *Office of Environmental Management Cleanup Activities*. DOE has obligated virtually all of the $6 billion in Recovery Act funding for cleanup activities and, as of March 2011, had spent about two-thirds of the funds. Recovery Act-funded employment for DOE's cleanup activities peaked in the last quarter of 2010, when DOE reported that 10,977 full-time equivalents had been funded by the act.
- *Loan Guarantee Program*. As of March 2011, DOE has obligated about 17 percent of the $2.5 billion provided for Loan Guarantee Program. For the last quarter of 2010, recipients reported 784 full-time equivalents had been funded from Loan Guarantee Program projects.
- *State Energy Program*. As of January 2011, grant recipients reported obligating over $2.7 billion of Recovery Act funding and spending over $900 million of the $3.1 billion appropriated to the State Energy Program.
- *Weatherization Assistance Program*. As of March 2011, DOE reported that half of the $5 billion of Recovery Act funding provided for the Weatherization Assistance Program had been spent. Recipients reported that about 15,391 full-time equivalents had been funded by the Recovery Act for the fourth quarter of 2010.

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of Energy's (DOE) spending on programs funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act).[1] The Recovery Act is intended to promote economic recovery, make investments, and minimize or avoid reductions in state and local government services. Enacted on February 17, 2009, the act was a response to the economic recession at a time when the jobless rate was approaching 8 percent. In early 2009, the Congressional Budget Office estimated that the Recovery Act's combined spending and tax provisions would cost approximately $787 billion. As of February 2011, it estimated that the Recovery Act would cost $34 billion more than originally estimated—or a total of $821 billion from 2009 through 2019. That total includes more than $41.7 billion for DOE efforts in areas such as energy efficiency and renewable energy, nuclear waste cleanup, and innovative energy technologies.

The Recovery Act specified several roles for GAO, including conducting ongoing reviews of selected states' and localities' use of funds made available under the act.[2] As part of those reviews, we examined several DOE programs administered by states and localities, specifically the State Energy Program and the Weatherization Assistance Program. We have also completed separate reviews on other DOE activities funded under the Recovery Act, including the department's environmental cleanup projects and its Loan Guarantee Program.[3] Further, we are conducting ongoing reviews of the Loan Guarantee Program as well as the Energy Efficiency

[1]Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

[2]GAO, *Recovery Act: Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds*, GAO-10-999 (Washington, D.C.: Sept. 20, 2010); GAO; *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, GAO-10-604 (Washington, D.C.: May 26, 2010); and GAO, *Recovery Act: Recipient Reported Jobs Data Provided Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, GAO-10-223 (Washington, D.C.: Nov.19, 2009).

[3]GAO, *Recovery Act: Most DOE Cleanup Projects Appear to Be Meeting Cost and Schedule Targets, but Assessing Impact of Spending Remains a Challenge*, GAO-10-784 (Washington, D.C.: July 29, 2010); GAO, *Department of Energy: Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program*, GAO-10-627 (Washington, D.C.: July 12, 2010); and GAO, *Recovery Act: Factors Affecting the Department of Energy's Program Implementation*, GAO-10-497T (Washington, D.C.: Mar. 4, 2010).

and Conservation Block Grant program, which was funded by the Recovery Act and has an expected reporting date in April 2011.

My statement today is based largely on these prior reviews, updated with data from DOE, and focuses on DOE's obligations and spending of its Recovery Act funds for these selected programs and the information reported on jobs funded as a result of these programs' Recovery Act spending.

For this statement, we reviewed and summarized information from our prior reports[4] and preliminary results from our ongoing review of the Energy Efficiency and Conservation Block Grant program. We developed these preliminary results from September 2010 to March 2011 by, among other things, reviewing relevant federal laws and regulations and DOE guidance as well as financial and project data from DOE databases, which we determined to be sufficiently reliable for our purposes; interviewing grant program officials, including about 30 in the field offices responsible for managing and monitoring grant awards; and reviewing responses from a set of 49 of 91 purposefully selected city and county recipients that are eligible to receive grant funding. We conducted all of our work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to produce a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our statement today. Additional information on our scope and methodology is available in each issued product.

Background

The Recovery Act provided DOE with more than $41.7 billion, including $35.2 billion for projects and activities and $6.5 billion in borrowing authority.[5] Of the $35.2 billion for projects and activities, almost half—$16.7 billion—was provided to the Office of Energy Efficiency and Renewable Energy for projects intended to improve energy efficiency, help build the domestic renewable energy industry, and help restructure

[4]GAO-10-223, GAO-10-497T, GAO-10-604, GAO-10-627, GAO-10-784, and GAO-10-999.

[5]DOE was initially appropriated $45.2 billion in the Recovery Act; however, $3.5 billion for the Loan Guarantee Program was transferred from DOE's Recovery Act appropriation. As a result, DOE's appropriations under the Recovery Act now total $41.7 billion, which includes $6.5 billion in borrowing authority.

the transportation industry to increase global competitiveness. This amount included about $5 billion for the Weatherization Assistance Program, about $3.2 billion for the Energy Efficiency and Conservation Block Grant program, and about $3.1 billion for the State Energy Program. The Recovery Act also provided about $6 billion to the Office of Environmental Management for environmental cleanup projects and about $2.5 billion to the Loan Guarantee Program Office to support loan guarantees for renewable energy and electric power transmission projects.

As of March 10, 2011, DOE reported that it had obligated $33.1 billion (94 percent) and spent $12.5 billion (36 percent) of the $35.2 billion it received under the Recovery Act for projects and activities (see table 1). By comparison, as of December 31, 2009, the department had obligated $23.2 billion (54 percent) and spent $1.8 billion (4 percent).

Table 1: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by DOE as of March 10, 2011

Dollars in millions

Program office	Funding	Obligations	Percentage obligated	Expenditures	Percentage expended
Advanced Research Projects Agency - Energy	$387	$387	100%	$80	21%
Departmental Administration	143	72	50	49	34
Energy Efficiency and Renewable Energy	16,666	16,665	100	6,181	37
Energy Information Administration	8	8	100	8	100
Environmental Management	5,989	5,989	100	4,008	67
Fossil Energy	3,379	3,379	100	180	5
Loan Guarantee Program Office	2,470	426	17	123	5
Office of Electricity Delivery and Energy Reliability	4,488	4,488	100	962	21
Office of Science	1,669	1,669	100	907	54
Western Area Power Administration	10	7	70	5	50
Total	**$35,210**[a]	**$33,090**	**94%**	**$12,503**	**36%**

Source: GAO analysis of DOE data.

Note: The numbers in this table are rounded to the nearest million.

[a]The Recovery Act also provided DOE with $6.5 billion in borrowing authority ($3.25 billion for the Bonneville Power Administration and $3.25 billion for the Western Area Power Administration), which is not included in this table. DOE was also appropriated $15 million in the Recovery Act for the Office of Inspector General, which is also not included in this table.

Nonfederal recipients of Recovery Act funds have reported on jobs funded by the Recovery Act, and this effort is a solid first step in moving toward more transparency and accountability for federal funds. Under the

Recovery Act, nonfederal recipients are to report for any quarter in which they receive Recovery Act funds directly from the federal government, and are to include in those reports information concerning the jobs created or retained by their Recovery Act projects and activities.[6] As reported by the Recovery Accountability and Transparency Board, job calculations are based on the number of hours worked in a quarter and funded under the Recovery Act—expressed in full-time equivalents (FTE). In November 2009, we reported on our review and analysis of recipient data from Recovery.gov, finding that there are reporting and quality issues with these data.[7] It is important to recognize that the FTEs in recipient reports alone do not reflect the total employment effects of the Recovery Act. These reports solely reflect direct employment arising from the expenditure of less than one-third of Recovery Act funds. Therefore, both the data reported by recipients and other macroeconomic data and methods are necessary to gauge the overall employment effects of the stimulus. The employment effects in any state will vary with labor market stress and fiscal condition.

DOE Recovery Act Spending and Jobs Funded Vary by Program

DOE programs vary in the amount of Recovery Act funds they have obligated and spent and in the number of jobs funded through such spending, according to DOE and recipient reported data.

Table 2 shows Recovery Act funding, obligations, and spending for the selected DOE programs.

[6] Reporting requirements apply to nonfederal recipients of funding, including entities such as state and local governments, educational institutions, nonprofits, and other private organizations. These requirements apply to recipients who receive funding through the Recovery Act's discretionary appropriations, not recipients receiving funds through entitlement programs, such as Medicaid, or tax programs. Certain other exceptions apply, such as for individuals. Pub. L. No. 111-5 (Recovery Act), div. A, § 1512, 123 Stat. at 287–288.

[7] GAO-10-223.

Table 2: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by Department of Energy for Select Programs and Projects as of March 10, 2011

Dollars in Millions

Program or Project	Funding	Obligations	Percentage obligated	Expenditures	Percentage expended
Energy Efficiency and Conservation Block Grants	$3,193	$3,193	100%	$903	28%
Environmental Management	5,989	5,989	100	4,007	67
Loan Guarantee Program Office	2,470	426	17	123	5
State Energy Program	3,085	3,085	100	1,059	34
Weatherization Assistance Program	4,975	4,975	100	2,481	50

Source: GAO analysis of DOE data

As of March 10, 2011, the percentage of Recovery Act funding spent on these selected programs ranged from a high of 67 percent for the Office of Environmental Management's cleanup activities to a low of 5 percent for the Loan Guarantee Program Office. I will now briefly describe the status of Recovery Act spending for each of these five programs.

Energy Efficiency and Conservation Block Grant Program

The Recovery Act provided about $3.2 billion for DOE's Energy Efficiency and Conservation Block Grant program (EECBG), funding the program for the first time since it was authorized, in the Energy Independence and Security Act (EISA) of 2007. The program—administered by the Office of Energy Efficiency and Renewable Energy—provides formula and competitive grants to states, territories, federally recognized Native American tribes, and local communities to develop, promote, and manage projects that improve energy efficiency and reduce energy use and fossil fuel emissions in local communities.

Of the $3.2 billion provided for the EECBG program under the Recovery Act, DOE awarded about $1.94 billion as formula grants to more than 2,000 local communities–including cities, counties, and tribal communities—and about $767 million as formula grants to the states, five territories, and the District of Columbia.[8] In addition to the approximately $2.7 billion in formula grants, DOE awarded about $453 million of the total EECBG funds through competitive grants to local communities.

[8]Funding is allocated to state recipients based on population and total energy consumption; to city and county recipients based on resident and commuter populations; and to Native American tribes based on population and climatic conditions.

The Recovery Act required that DOE obligate about $2.7 billion in formula funds by September 30, 2010. DOE has obligated all EECBG funds to recipients, and recipients are beginning to obligate and spend these funds. As of December 31, 2010, recipients reported obligating approximately $1.7 billion and spending more than $655 million, approximately 24 percent of the EECBG budget. As of March 10, 2011, recipients reported spending about $860 million. As we reported in September 2010, more than 60 percent of EECBG funds had been obligated for three purposes: energy-efficient retrofits, such as replacement of heating and cooling systems; financial incentive programs, such as rebate programs to pay for energy-efficiency retrofits not already covered by existing incentives; and improvements to buildings and facilities, such as the installation of geothermal systems.[9] Energy-efficiency improvements have varied and include projects such as occupancy sensor lighting, solar-powered trash compactors, and solar-powered parking meters.

In September 2010, we noted that some EECBG recipients were experiencing challenges in reporting job-related outcome metrics. For example, in one locality, officials said that they planned to estimate the number of jobs created because they did not have hourly contracts. In another locality, officials were not aware of how to calculate FTEs per Office of Management and Budget guidance. Recipients also expressed frustration with the process for reporting metrics and the volume of contact from various DOE offices about reporting requirements or changes in reporting requirements. DOE is beginning to take steps to consolidate the amount of guidance and requirements being provided to recipients. We expect to issue a report in April 2011 with greater detail about the implementation of the EECBG program, including information on the challenges that EECBG recipients have reported encountering in using grant funds and the quality of jobs data reported by recipients.

Environmental Cleanup Projects

The Recovery Act provided about $6 billion for DOE to expand and accelerate its efforts to clean up numerous contaminated sites across the country, where decades of nuclear weapons research, development, and production left a legacy of dangerously radioactive, chemical, and other

[9] GAO-10-999.

hazardous wastes.[10] This funding substantially boosted the Office of Environmental Management's annual appropriation for cleanup, which has generally been between $6 billion and $7 billion.

In all, DOE selected 93 projects at 17 DOE sites in 12 states for Recovery Act funding. DOE designated the bulk of this new funding—almost 80 percent—to speed cleanup activities at four large sites: the Hanford Site in Washington State, Idaho National Laboratory, the Oak Ridge Reservation in Tennessee, and the Savannah River Site in South Carolina. DOE generally chose to use Recovery Act funds for cleanup projects that could be started and finished quickly. The majority of the projects selected also had existing contracts, which allowed the department to update and validate new cost and schedule targets within a short time frame. DOE generally funded four types of projects: (1) decontaminating or demolishing facilities, (2) removing contamination from soil and groundwater, (3) packaging and disposing of transuranic[11] and other wastes, and (4) supporting the maintenance and treatment of liquid tank wastes.

As of March 2011, DOE had obligated virtually all of the $6 billion in Recovery Act funding for cleanup activities and had spent nearly $4 billion, or about two-thirds of the funds. Spending rates varied across sites, from 50 percent of obligated funds spent at the Oak Ridge Reservation to 96 percent at the Mound Site in Ohio, a former production site for explosives and other weapons components. DOE officials said that they plan to have 95 percent of the funds spent by the end of fiscal year 2011. As of March 10, 2011, 19 projects were complete. Officials told us

[10] DOE's Office of Environmental Management directs the cleanup of this contamination at sites across the DOE complex. The sites contain nuclear reactors; chemical processing buildings; and plants, laboratories, and maintenance facilities once used to manufacture thousands of nuclear warheads. Cleanup activities include treating and permanently disposing of millions of gallons of radioactive and chemical waste stored in large underground tanks; disposing of spent nuclear fuel; removing contaminated soil; treating contaminated groundwater; packaging and shipping solid wastes infused with synthetic radioactive elements like plutonium and americium for permanent disposal to a deep geologic repository; and eliminating excess facilities, which may include decontaminating, decommissioning, deactivating, and demolishing obsolete structures or a combination of these activities. DOE has estimated that the cost of this cleanup may approach $300 billion over the next several decades.

[11] Transuranic wastes are typically discarded rags, tools, equipment, soils, or other solid materials that have been contaminated by radioactive elements, such as plutonium or americium.

that some work may take until December 2012 to complete although they are taking steps to try to move up the completion date.

Recovery Act-funded employment for DOE's cleanup activities peaked in the last quarter of fiscal year 2010. DOE reported for the last quarter of fiscal year 2010 an estimated total of 10,977 FTEs funded by the Recovery Act.[12] The jobs were concentrated at the four sites that received the bulk of the Recovery Act funding. By the following quarter, DOE reported 9,362 FTEs as being funded by the Recovery Act. Furthermore, DOE officials said that workforce reductions have been approved and announced for three sites. The Hanford Site will lose 1,600 positions, all funded by the Recovery Act. The Idaho National Laboratory will lose 600 positions, of which 400 were funded by the Recovery Act, and the Savannah River Site will lose 1,400 positions, of which 800 were funded by the Recovery Act. As a consequence of these reductions, it is likely that the reported count of FTEs will continue to decline.

In July 2010, we reported that DOE has faced familiar challenges in both managing Recovery Act projects and measuring how Recovery Act funding has affected cleanup and other goals.[13] At that time, we reported that one-third of Recovery Act funded projects did not meet cost and schedule targets. DOE officials cited some of the same reasons that have plagued DOE in the past: technical, regulatory, safety, and contracting issues. DOE has taken steps aimed at strengthening project management and oversight for Recovery Act projects, such as increasing project reporting requirements and placing tighter controls on when funds are disbursed to sites. By October 2010, both cost and schedule performance had significantly improved.

Measuring the impact of Recovery Act funding has been a challenge for DOE. It has had particular difficulty providing an accurate assessment of the act's impact on jobs, environmental risk reduction, and the life-cycle costs of its cleanup program. First, it has used different methodologies to assess and report jobs created, which provided very different and potentially misleading pictures. Second, DOE had not yet developed a clear means of measuring how cleanup work funded by the act would affect environmental risk or reduce its footprint—the land and facilities requiring DOE cleanup. Third, it is unclear to what extent Recovery Act

[12]This information came directly from DOE and was not generated off of Recovery.gov.

[13]See GAO-10-784.

funding will reduce the costs of cleaning up the DOE complex over the long term. DOE's estimate of $4 billion in life-cycle cost savings resulting from Recovery Act funding was not calculated in accordance with federal guidance. Our analysis indicated that those savings could be 80 percent less than DOE estimated. Without clear and consistent measures, it will be difficult to say whether or how Recovery Act funding has affected DOE's cleanup goals.

In our July 2010 report, we recommended four actions for DOE to improve project management and reporting: (1) determine whether project management and oversight steps adopted for Recovery Act projects would benefit other cleanup projects, (2) clarify the methodology used to calculate jobs created, (3) develop clear and quantifiable measures for determining the impact of Recovery Act funding, and (4) ensure that cost savings are calculated according to federal guidance. DOE agreed with the recommendations and is taking steps to implement them. For example, some of the steps DOE implemented to improve management of Recovery Act projects are being implemented for work funded through annual appropriations. DOE also issued clarifying guidance to the sites on the methodology for reporting footprint reduction, although the extent to which this measures actual environmental risk reduction, if at all, is not clear.[14] Finally, according to DOE officials, the department is preparing a report describing the methodologies used for cost savings achieved to date through the Recovery Act and plans to submit a report to the Office of Management and Budget and Congress by September 30, 2011.

Loan Guarantee Program for Innovative Technologies

Title XVII of the Energy Policy Act of 2005 established DOE's Loan Guarantee Program (LGP) to guarantee loans for projects that (1) use new or significantly improved technologies as compared with commercial technologies already in use in the United States and (2) avoid, reduce, or sequester emissions of air pollutants or man-made greenhouse gases. In February 2009, the Recovery Act amended the LGP, authorizing DOE to also guarantee loans for some projects using commercial technologies. Projects supported by the Recovery Act must employ renewable energy systems, electric power transmission systems, or leading-edge biofuels that meet certain criteria; begin construction by the end of fiscal year 2011; and pay wages at or above market rates. The Recovery Act originally

[14]DOE officials define footprint reduction as the "physical completion of activities with petition for regulatory approval to follow."

provided nearly $6 billion to cover the credit subsidy costs for projects meeting those criteria.[15]

During the 2 years since providing Recovery Act funds to cover LGP credit subsidy costs, Congress twice transferred funds from the LGP to other programs, after we expressed concerns about DOE's administration of the program. In April and May 2009, as part of our mandate to annually review DOE's implementation of the LGP,[16] we provided information on the program's status to House and Senate appropriators. Among other things, we noted that DOE had received loan guarantee applications for at least 68 projects but had committed to guarantee a loan for only 1, even though a number of the applications—including 6 that DOE deemed eligible for Recovery Act funding—had been submitted in response to a solicitation issued in 2006. In August 2009, Congress authorized the transfer of $2 billion of the nearly $6 billion to expand the "Cash for Clunkers" program,[17] leaving about $4 billion in Recovery Act funds to pay credit subsidy costs for LGP projects. In July 2010, we reported that DOE had made an additional nine conditional commitments to issue loan guarantees but had issued only one loan guarantee.[18] We also reported that DOE lacked appropriate tools for assessing the progress of the program and had treated applicants inconsistently in the application review process, favoring some applicants and disadvantaging others. In July 2010, our report's findings were cited in the Senate report for the fiscal year 2011 Energy and Water Development appropriation,[19] which voiced continued concerns about DOE's ad hoc implementation of the program and slow progress in making loan guarantees. Shortly thereafter, Congress transferred an additional $1.5 billion in funds from the LGP to the Education Jobs Fund.[20]

[15]Recovery Act, div. A, Title IV, 123 Stat. at 140 (Feb. 17, 2009). Congress originally appropriated nearly $6 billion to pay the credit subsidy costs of projects supported under the Recovery Act, with the limitation that funding to pay the credit subsidy costs of leading-edge biofuel projects eligible under the act would not exceed $500 million.

[16]Pub. L. No. 110-5, § 20320(c), 121 Stat. 21 (Feb. 15, 2007).

[17]Pub. L. No. 111-47, 123 Stat. 1972 (Aug. 7, 2009).

[18]GAO-10-627.

[19]S. Rep. No. 111-228, at 53 (July 22, 2010).

[20]Pub. L. No. 111-226, § 308, 124 Stat. 2405 (Aug. 10, 2010).

According to our analysis of DOE data, as of March 10, 2011, DOE's LGP had obligated only about 17 percent of the remaining $2.5 billion in Recovery Act funds. DOE stands to lose about $2 billion of the Recovery Act funds for LGP projects if it does not make final loan guarantees using those funds soon; the Recovery Act requires that borrowers begin construction of their projects by September 30, 2011.

One of the purposes of the Recovery Act is to create jobs, and DOE established job creation as an agency goal when making loan guarantees. However, it is not clear to what extent the LGP projects for which DOE has used Recovery Act funds are supporting that goal. In our July 2010 report, we stated that DOE had not established measures for evaluating agency progress in achieving that goal, as called for by principles of good governance. For the fourth quarter of 2010, recipients reported funding 784 FTEs from LGP projects. DOE officials estimate that 8 projects were under way by the end of 2010. As of March 2, 2011, according to agency estimates derived from loan guarantee applications, 10,531 construction and operations positions are expected to result from the 10 projects that have received loan guarantees, and an additional 2,331 positions are expected to result from the 4 additional projects to which DOE has conditionally committed.

State Energy Program

The $3.1 billion that the Recovery Act appropriated to the State Energy Program (SEP) was made available to 56 recipients, including all 50 states, the District of Columbia, and U.S. territories. The SEP provides funds through formula grants to achieve national energy goals such as increasing energy efficiency and decreasing energy costs. Created in 1996, the SEP has typically received less than $50 million per year. Thus, the Recovery Act provided a substantial increase in funding for this program. As of January 31, 2011, recipients reported obligating over $2.7 billion and spending over $900 million of their available funds.

As we reported in September 2010, recipients obligated their SEP funds for such items as buildings, including school and government improvements and revolving loan programs; electric power and renewable energy, including wind turbine deployment; and industry, including energy audits and water conservation.[21] We also noted that a lack of guidance and other obstacles, such as the lack of state energy management staff,

[21] GAO-10-999.

hampered states from obligating and spending funds. As of September 2010, DOE was beginning to monitor recipient spending, and recipient monitoring practices varied in scope and depth. DOE and recipients reported challenges in meeting Recovery Act outcome reporting requirements for a variety of reasons, including the need to coordinate among numerous state agencies to fulfill reporting requirements and difficulties with reporting information into DOE's primary reporting system.

Weatherization Assistance Program

The Recovery Act provided $5 billion for the Weatherization Assistance Program, which DOE is distributing to each of the states, the District of Columbia, five territories, and two Indian tribes. This program, administered by DOE's Office of Energy Efficiency and Renewable Energy, is intended to enable low-income families to reduce their utility bills by making long-term energy-efficiency improvements to their homes by, for example, installing insulation, sealing leaks, and modernizing heating and air conditioning equipment. The $5 billion in funding provided by the Recovery Act represents a significant increase for a program that has received about $225 million per year in recent years.

During 2009, DOE obligated about $4.73 billion of the $5 billion in Recovery Act weatherization funding to recipients, while retaining the remaining funds to cover the department's expenses. Initially, DOE provided each recipient with the first 10 percent of its allocated funds, which could be used for start-up activities, such as hiring and training staff, purchasing equipment, and performing energy audits of homes. Before a recipient could receive the next 40 percent of its funds, DOE required it to submit a plan for how it would use its Recovery Act weatherization funds. By the end of 2009, DOE had approved the weatherization plans of all 58 recipients and had provided all recipients with half of their funds.

To release the remaining half of allocated funds, DOE requires that recipients finish weatherizing 30 percent of the homes identified in their weatherization plans. In addition, recipients must fulfill the monitoring and inspection protocols established in their weatherization plans; monitor each local agency at least once each year to determine compliance with administrative, fiscal, and state policies and guidelines; ensure that local quality controls are in place; inspect at least 5 percent of completed units during the course of the year; and submit timely and accurate progress reports and monitoring reviews to DOE so that the department can confirm acceptable performance. As of February 2011, DOE reported that it had released the remaining half of funds to the 44 recipients that had met these requirements. According to DOE, the department is providing targeted communications and training to assist the remaining 14 recipients meet the requirements to gain access to their remaining funds. DOE has indicated that recipients are to spend their Recovery Act weatherization funds by March 31, 2012.

DOE officials told us that as of December 2010, about 330,304 homes had been weatherized nationwide, or about 56 percent of the approximately 590,000 homes currently planned for weatherization. All of the recipients submitted their quarterly data to FederalReporting.gov and, for the fourth quarter of 2010, reported approximately 15,391 FTEs had been funded by the Recovery Act under this program.[22]

In May 2010, we made eight recommendations for DOE to clarify its weatherization guidance and production targets.[23] DOE generally concurred with the recommendations and has addressed them to varying extents. We will continue to monitor DOE's progress in implementing these recommendations.

We have recently begun additional work on the Weatherization Assistance Program looking at the use of Recovery Act funds and the extent to which program recipients are meeting Recovery Act and program goals, such as job creation and energy and cost savings, as well as the status of DOE's response to our May 2010 recommendations. We expect to complete this work in fiscal year 2012.

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee, this completes my prepared statement. As noted, we are continuing to monitor DOE's use of Recovery Act funds and implementation of programs. I would be happy to respond to any questions you may have at this time.

[22]In total, 92 DOE grant recipients reported to FederalReporting.gov in the sixth round of recipient reporting. In the fifth and sixth round, an additional 34 grantees that had not reported in the fourth round began reporting, in conjunction with DOE's new effort to expand access to weatherization training. On June 4, 2010, DOE announced that 34 projects in 27 states were selected to receive $29 million from Recovery Act funds to develop and expand weatherization training and technical assistance centers across the country.

[23]GAO-10-604.

Contact and Acknowledgments

For further information regarding this testimony, please contact me at (202) 512-3841. Catherine Bombico, Swati Deo, Janet Frisch, Maria Gaona, Kim Gianopoulos, Jonathan Kucskar, David Marroni, Kristen Massey, Cynthia Norris, Emily Owens, John Scott, Benjamin Shouse, Karla Springer, Kiki Theodoropoulos, Lisa Van Arsdale, Ginny Vanderlinde, Jeremy Williams, and Arvin Wu made key contributions to this testimony.

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